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7 November 1966

No. -- 0398/66
Copy No. 149

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INTELLIGENCE REPORT

THE SITUATION IN SOUTH VIETNAM

DIRECTORATE OF INTELLIGENCE

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM
(31 October - 6 November 1966)

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I. POLITICAL SITUATION

Southerners are continuing to exert political pressure on Premier Ky, and changes in the assignments of key northerners in the government may soon be made.

Recent developments in the Constituent Assembly indicate the emergence of a working majority of northerners, Catholics, and Dai Viet Party members from central Vietnam which will probably tend to cooperate with the government.

The supreme patriarch of the Unified Buddhist Association (UBA) has called for another special congress to resolve the leadership impasse, but prospects for reconciliation between moderate and militant Buddhists appear dim.

North-South Regional Tensions Continue

1. Continuing political pressure on Premier Ky by southerners may soon force some changes in the current assignments of key northerners in the government, with police director Loan still the most likely to be affected. Although the unity of the seven southern-oriented, dissident cabinet ministers has been split by the agreement of three to remain in the government, many other influential southerners both within and outside the government have recently expressed their dissatisfaction with the current situation in letters which are rapidly becoming known to the public.

2. On 27 October, both the Southern Old Students Association, a political group led by retired General Tran Van Don, and a group of 26 high ranking civil servants, almost all of whom are southerners, sent letters to government leaders criticizing the temporary arrest in late September of a southern subcabinet official by police director General Loan. Neither letter explicitly threatened any action, but they indicated clearly a desire for the government to take action to resolve the situation.

3. Signatures on the Southern Old Students Association letter included those of Tran Van Don, Nguyen Van Loc, who is also president of the Peoples-Armed Forces Advisory Council, and Mai Tho Truyen, a Buddhist lay leader who heads the Southern Buddhist Studies Association. Among the civil servants who signed were the directors general of post and telecommunications, foreign aid, and agricultural credit; the rector of the National Institute of Administration; and the director of the Saigon hospital.

IV Corps Commander Quang Expects Concessions Soon

4. IV Corps commander General Quang, a southerner who is considerably estranged from the northern military leaders, [REDACTED]

[REDACTED] that he expected the political crisis in Saigon to be resolved around 10 November. Quang criticized the concentration of responsibilities in the hands of a few persons close to Premier Ky. In addition to mentioning Loan, Quang singled out General Khang, who is concurrently III Corps commander and Saigon area military commander. He also stated that the current crisis would be solved by political concessions and implied that either Loan or Khang should give up one of their positions. [REDACTED] suggested that any significant action or changes designed to resolve the north-south regional differences might take place soon after 8 November.

Reported Attitudes of Police Director Loan

5. [REDACTED]
General Loan appears resigned to losing one of his two security assignments--national police director and military security chief. On 28 October, Loan remarked that he would probably "have to back down a step" and give up one of his two assignments to a southerner, [REDACTED]

[REDACTED] At the time, Loan reportedly had not decided which position he would relinquish. There is some indication, however, that Loan will not take this loss lying down. For example, he plans to install one of his own men as an assistant to his southern replacement and he has also remarked that he plans

"to deal less tactfully with these politicians"
after the US elections on 8 November [REDACTED]

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[REDACTED] Loan will probably step down as police director, but will retain his position as head of the military security service. Finally, [REDACTED] Loan appeared discouraged on 1 November, and mentioned that he might have to resign because of political complications.

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Constituent Assembly Trends

6. The formation of official "blocs," or groups with similar aims, among delegates in the Constituent Assembly on 31 October revealed the emergence of a working majority of northerners, Catholics, and Dai Viet Party members from central Vietnam. The largest of four established blocs is the Peoples Bloc, with 44 delegates mostly native to north and central Vietnam and significant participation by Dai Viet Party, military, and Catholic members.

7. The 16 member Democratic Bloc, which is almost entirely Catholic, cooperated closely with the Peoples Bloc during the election of assembly officers, and there are some indications that these two groups may soon merge, thereby forming an absolute majority in the assembly. The US Embassy has commented that several of the leading members of the Peoples Bloc are close to Premier Ky, and that the bloc as a whole will probably display a cooperative attitude toward the government. In addition, the Peoples Bloc demonstrated its solidarity by electing one of its members, a young northern lawyer, as chairman of the important constitution drafting committee.

8. Among the remaining assembly delegates, the Alliance Bloc, has 25 members, and is primarily southern-based with a core of Hoa Hao supporters. The final group, the Movement for the Renaissance of the South, has 12 or 13 members, and is a more militant group of southern regionalists. Some 19 or 20 delegates independent of any formal bloc include Phan Quang Dan, La Thanh

Nghe, and Tran Van Van, all of whom have exerted less influence in the assembly than was expected.

Buddhist Institute Developments

9. According to Vietnamese press reports on 29 October, the supreme patriarch of the Unified Buddhist Association (UBA), Thich Tinh Khiet, has called for another congress to resolve the split in the UBA leadership. Khiet reportedly entrusted Thich Tam Chau, the moderate Buddhist leader who has refused to surrender his position as chairman of the Buddhist Institute; Thich Thien Hoa, who was elected Institute chairman by militants at the last congress; and Thich Tri Tinh, who replaced Thich Tri Quang as secretary general of the High Clerical Council, with making preparations for the congress.

10. On the evening of 29 October, moderate Tam Chau indicated that he preferred to call an assembly composed of two representatives of each of the 11 constituent Buddhist organizations of the UBA, rather than the much larger number of delegates involved in the last congress. Chau also suggested that representatives of independent Buddhist organizations be invited with the view of enlarging the present UBA structure. Thich Tam Giac, a northern refugee Buddhist leader who is Chau's chief supporter at present, speculated to the press that of the 11 constituent Buddhist groups currently in the UBA, there are four which support Tam Chau, four which support Tri Quang, and three which have shown no preference.

11. There has been no indication whether the militant supporters of Tri Quang would agree to such an arrangement for another congress, and it is not yet clear if and when any congress will be held. Following the chaos which developed during the last Buddhist congress on 21 and 22 October, the prospects for immediate reconciliation of moderate and militant Buddhists do not appear likely. In the meantime, two separate Buddhist Institutes, corresponding to the moderate-militant split, continue to function in Saigon.

II. REVOLUTIONARY DEVELOPMENT

There are some indications that Director of Revolutionary Development General Nguyen Duc Thang is becoming discouraged by criticism from the military Directorate and may possibly resign. Some 300 local officials attended a three-day seminar at the Vung Tau Training Center in mid-October to discuss shortcomings in the Revolutionary Development (RD) program and to plan programs for 1967.

The problem of refugees fleeing to secure areas is still causing the government considerable concern. Almost 600,000 persons remain in temporary shelters where they create a serious financial, social, and security problem for the government. The GVN is, however, making an extensive effort to solve the many problems related with refugees. A total of 501 Viet Cong defectors returned to GVN control between 27 October and 2 November, the largest number since early April when defections took place in record numbers.

Friction Over General Thang

1. There is some indication that Minister of Revolutionary Development General Nguyen Duc Thang may be thinking of resigning his post because of criticism from other members of the Directorate. [REDACTED] Chief of State Thieu and Prime Minister Ky have criticized Thang's handling of the RD program.

2. Thang has had his difficulties in the past with members of the Directorate, particularly with Ky who reportedly dislikes him. Part of the difficulty in Thang's relationship with other members of the Directorate may stem from the fact that he has

received a great deal of support and praise from American advisers, which has probably generated envy and suspicion.

3. Thang has done an outstanding job as minister of Revolutionary Development and it would be difficult to find a replacement with similar drive and integrity. Part of the success of the RD program has been due to Thang's field visits which have been calculated to show local leaders that Saigon is behind the program and that the Ministry intends to carry out the directives of the government. Thang has organized a series of seminars dealing with plans and objectives of the RD program at the Vung Tau Training Center (see below) to generate greater understanding among local officials.

Local and Rural Government

4. More than 300 local officials including deputy province chiefs and other provincial officials attended a three-day seminar on Revolutionary Development at the Vung Tau Training Center in mid-October. Successes and failures in Revolutionary Development projects during 1966, and GVN plans for RD in the coming year, were discussed.

5. This meeting is one of several which have been scheduled with a view to overcoming the extensive disinterest and misunderstanding of the RD program uncovered as the result of an inspection conducted by Thang. A total of 900 province-level officials and others are scheduled to attend these orientation and planning conferences.

6. Early last month, the National Institute of Administration graduated 88 more general administrators and 98 clerical supervisors. The plan is for the general administrator graduates to be assigned to provinces and districts, most of them as deputy district chiefs for administration. The clerical supervisors are to be assigned as inspectors and supervisors of Revolutionary Development Cadre and the RD programs.

Political Obstacles to Revolutionary Development

7. The prospects for land reform under the RD program in 1967 in the IV Corps area appear very gloomy. [REDACTED]

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25X1X

[REDACTED] The basic problem, according to [REDACTED] is that any effort there would be subject to high-level political pressures. This is because many of the large landholdings, which would have to be broken up in order to effect redistribution to individuals, belong either to the family or friends of the IV Corps commander, Lieutenant General Dang Van Quang

25X1X

8. [REDACTED] the Revolutionary Development Cadres (RDCs) could not start land reform programs at this time, or even in 1967. He believes that the RDC program must become strong throughout the country before any attempt is made to implement land reform programs. Piecemeal or premature efforts to start land reform programs in other parts of the country would, [REDACTED] only serve to alert Quang and his associates.

25X1X

9. [REDACTED] also commented on the status of the program to improve montagnard welfare, specifically as related to the Pleiku training center. He felt that the whole montagnard program was too sensitive for the Ministry of Revolutionary Development since it was very tightly intertwined with the politics in the II Corps area, especially as centered around General Vinh Loc, the II Corps commander. General Thang also does not feel disposed to tangle with General Loc, and Thang feels that such a confrontation would occur if the Ministry was to become involved in the montagnard problem. [REDACTED] as long as Vinh Loc ran the Commissariat for Montagnard Affairs, there was no other ministry administering the montagnard problem, nor was there likely to be one within the foreseeable future.

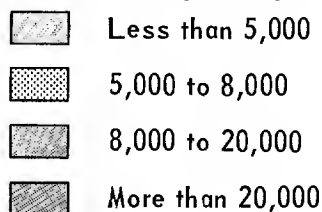
25X1X

The Refugee Situation

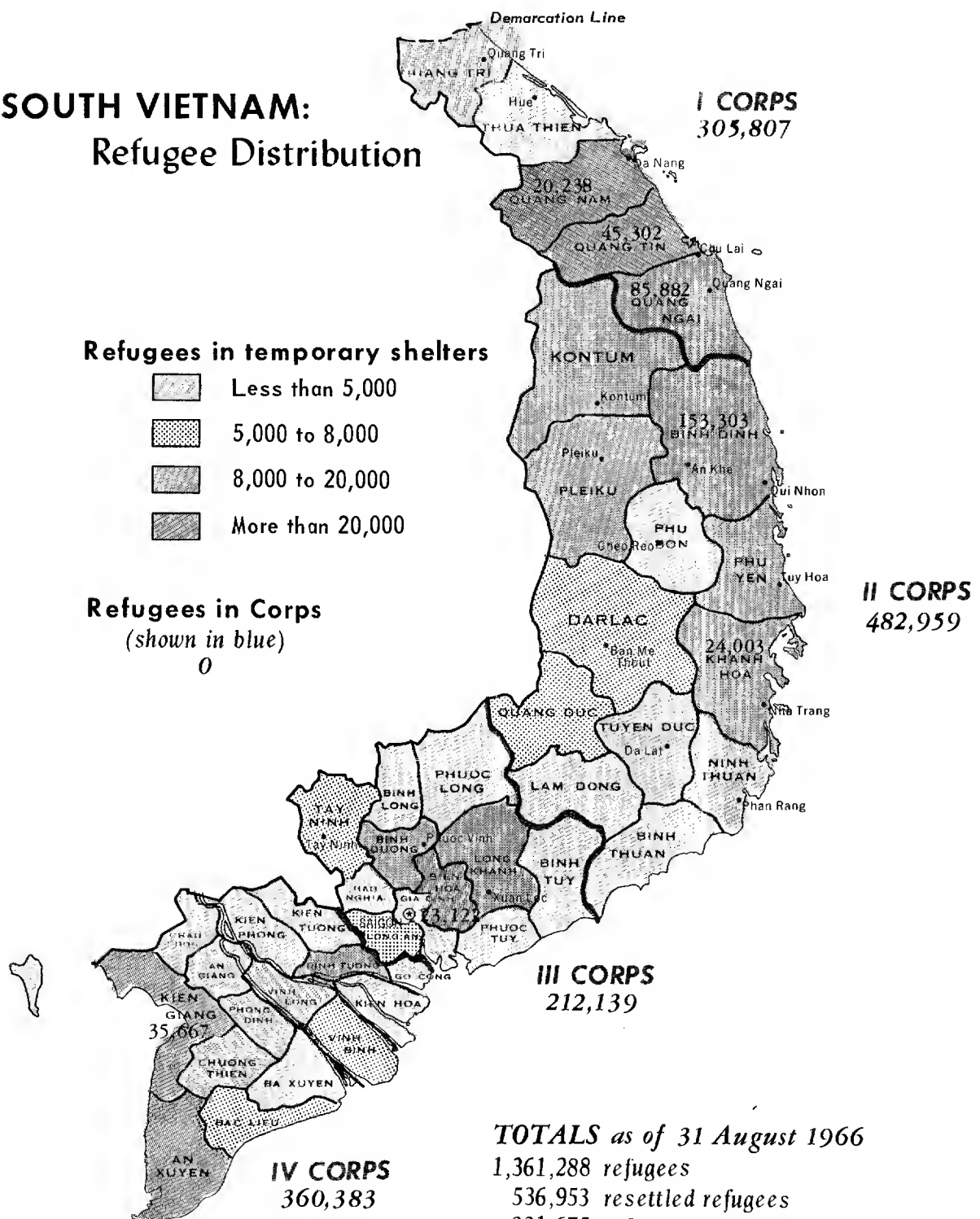
10. The government of South Vietnam is still plagued by the influx of refugees into areas under its control. The refugee flow, which has been

SOUTH VIETNAM: Refugee Distribution

Refugees in temporary shelters



Refugees in Corps (shown in blue) 0



swelling since July 1964, has created serious financial, social, and security problems for the GVN, many of which have so far defied adequate solution. Combat operations in populated areas, a desire by the people to flee from Communist-controlled territory, and natural disasters are among the factors causing this influx.

11. As of 31 August, a total of 1,361,288 persons, as compared with 784,351 on 31 January 1966, had been processed by the GVN as refugees. Of this number, 592,660 still remain in temporary shelters, an increase of 50,138 since 31 January 1966. Being in temporary shelters means, essentially, that the people are wards of the government, supported by a daily monetary dole plus some additional gifts of food and clothing from various public and private agencies. All refugees live largely at a subsistence level, but those in temporary shelters are in particularly dire straits, with very crowded conditions, especially in areas where refugee concentrations are the greatest (see map).

12. In addition to those listed as being in "temporary shelters," refugees are further categorized as "resettled" and "returned to home villages." There are 536,953 in the "resettled" category and 231,675 in the "returned" category. The resettled refugee is given a one-time payment which now is the equivalent of about US \$30.00.

13. The continuing rise in the number of refugees in temporary shelters is indicative of a decline in the security situation, and of the GVN's inability to cope with the resettlement situation. On the other hand, the flow of refugees back to their home villages is one additional indicator of the government's control of the countryside. Less than one tenth of the refugees have so far returned home.

14. Although every province in South Vietnam has some refugees, the distribution is quite uneven. About 51 percent of refugees through 31 August were handled in I and II Corps. These two corps also have the bulk of the refugees who are still in

temporary shelters, some 424,615 out of a nationwide total 592,660. Some 313,000 of the unsettled refugees in I and II Corps are concentrated in four of the provinces (see map). Binh Dinh Province reportedly has 155,000 refugees in temporary shelters. In the last two years the Communists had made extensive inroads in this province, although recent allied military operations have deeply shaken their position.

15. The government, with the assistance of USAID, has expanded and improved the facilities in temporary camps and has also started programs to obtain assistance from such agencies as the American Red Cross, The Salvation Army, and the US trade unions.

16. On the administrative side, the government has made an effort to streamline its refugee assistance programs. A special refugee commissariat has been created under the direction of Dr. Nguyen Phuc Que to centralize and coordinate refugee relief programs. Doctor Que has proven to be a conscientious and responsible administrator. The government has budgeted some \$12 million this year for the relief and rehabilitation of refugees. Next year the GVN has planned to increase by some 700 to a total of 1,000 the number of Vietnamese personnel assigned to administer the refugee program.

Viet Cong Defectors (Chieu Hoi)

17. A total of 501 Viet Cong returned to government control between 27 October and 2 November. This is the largest number of defectors since early April when the defection rate was very high. The count was probably higher last week since reports were not received from 12 provinces and the reporting period was cut off at the end of five days due to the celebration of South Vietnam's National Day. A breakdown of defectors by corps follows:

I Corps	48
II Corps	271
III Corps	68
IV Corps	114
TOTAL	<hr/> 501 (271 military)

18. Over the past few weeks, defections have been averaging about 294 per week since the first week in September. Among the reasons advanced for the great upsurge in defectors are stepped up GVN/US military operations, especially in II Corps, and augmented psychological warfare operations since late September and throughout October.

19. From June 1966 to 2 November there has been a total of 15,221 defectors. This number exceeds by 4,097 the number of defectors who returned to the government during 1965.

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III. ECONOMIC SITUATION

Saigon retail prices, which had risen five percent in the week ending 24 October, rose a further eight percent during the week ending 31 October, thus sharply reversing the encouraging downward trend of recent weeks. This renewed price rise apparently stems from a number of unrelated factors such as a decline in hog arrivals in Saigon, hoarding of rice because of recent flooding, and warnings by former minister of economy Thanh of future economic problems. Prices of imported commodities also are rising, reportedly because of expectations of future shortages and rumors of another devaluation. Given this unfavorable economic situation, it is encouraging that free market rates for dollars and gold have moved up only slightly.

It appears that the US and GVN have finally reached agreement on GVN foreign exchange reserves. Premier Ky has agreed orally to limit GVN reserves to \$250 million, of which \$120 million will be placed in US obligations of sufficient maturity to help the US balance of payments. Deliveries of rice from the delta to Saigon during the first nine months of 1966 were 30 percent below deliveries during the corresponding period of 1965. In general, there were no marked changes in provincial price levels during September.

Prices

1. Saigon retail prices, which had risen five percent in the week ending 24 October, rose another eight percent during the week ending 31 October. Excluding the temporary sharp rise in prices at the time of the September elections, the USAID retail price index is now at its highest level since 8 August.

III-1

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This most recent price increase was reflected in both food and nonfood items: the former were up ten percent and the latter up four percent. Although higher food prices were partly a result of the 1 November holiday, the major reason for the increase was a 53-percent rise in the price of pork. Higher pork prices stemmed from the suspension of sales of frozen pork and a decrease in the arrival of live hogs in Saigon. As a result of the sharp rise in pork prices, demand was diverted to other meats and fish, driving up the prices of these items. In addition, the price of rice continued to rise, and all three varieties of rice are now at new 1966 highs. Vegetable prices also soared as a result of rain damage and transportation disruptions. (A table of weekly retail prices in Saigon is included in the Annex.)

2. Prices of imported commodities also rose, although to a lesser extent. According to the USAID price index for selected US-financed imports, prices of imported commodities on 2 November were about three percent above the previous week. Almost all of the 21 commodities sampled showed some price increase. USAID reports that the removal of credit restrictions evidently restrained further price rises that probably would have resulted from expectations of shortages based on the current low rate of licensing and rumors of further devaluation.

Currency and Gold

3. In spite of two weeks of rising retail prices, free market gold and currency rates rose only moderately in the week ending 31 October. Gold was up four piasters to 246 piasters per dollar, and dollars rose five piasters to 171 piasters per dollar. MPC (scrip), on the other hand, was down one piaster to 114 piasters per dollar. The moderate rise in the prices of gold and dollars reportedly stemmed from the introduction of a new 100-piaster note that caused some nervousness among the public. Statements by Acting Minister of Economy Ton confirming that present economic policies would be continued apparently had a calming effect on the free money market. (Graphics on monthly and weekly free

market gold and currency prices are included in the Annex.)

Foreign Exchange Reserves

4. It appears that the US and GVN have finally reached agreement on GVN foreign exchange reserves. On 2 November, Premier Ky agreed orally that GVN foreign exchange reserves would be limited to \$250 million--instead of \$200 million that the US had originally requested--and that \$120 million of the \$250 million would be placed in US obligations of sufficient maturity to help the US balance of payments. In return, the US agreed that any portion of the \$350 million of FY 1967 Commercial Import Program funds not used because of GVN use of its own foreign exchange would be allocated to economic development grants.

Rice Deliveries

5. Deliveries of rice from the delta to Saigon during the first nine months of 1966 amounted to only 256,100 metric tons, or roughly 30 percent below deliveries during the corresponding period of 1965 and almost 50 percent below the January-September average during 1961-64. Moreover, according to embassy estimates, total deliveries for 1966 will amount to only 312,200 metric tons--compared with 449,300 tons in 1965 and an average of 591,700 tons during 1961-64. (A graphic on rice deliveries is included in the Annex.) As previously reported, this decline in deliveries stems from several factors, the most important of which include: a decline in production, flood damage, VC taxation and interference with rice movements, hoarding by both merchants and peasants, and illegal shipments to Cambodia.

6. Because of the shortfall in deliveries from the delta, South Vietnam--traditionally a rice exporter--has become a large-scale importer of rice. Imports of rice in 1965 amounted to 130,000 metric tons, and in 1966 these imports will probably rise to 485,000 metric tons. Moreover, according to embassy estimates, imports of rice in 1967 may

total 600,000 metric tons as deliveries from the delta fall below the 1966 low.

Regional Economic Situation in September

7. In general, there were no marked changes in provincial price levels during September. Prices in I and IV Corps were steady to slightly lower, whereas in II and III Corps prices were steady or up slightly. Provincial prices had not yet reflected the effects of the Mekong flood--clearly the most significant provincial economic development during September. With the exception of increased Viet Cong disruption of transportation routes in Lam Dong and Darlac provinces in II Corps there was no significant change in the level of Viet Cong economic activities.

8. Prices remained generally stable in three provinces of I Corps, while prices in Thua Thien Province and in Da Nang continued to decline. The price of rice rose slightly in Quang Tri Province but continued to decline in Quang Ngai Province because of a good harvest. The Viet Cong continued to interdict rail traffic out of Da Nang and hit at bridges on Route 1.

9. In II Corps, prices continued to rise in all but four provinces--Binh Dinh, Pleiku, Darlac, and Quang Duc--in which prices remained generally stable. Fish catches in the northern part of II Corps were adversely affected by bad weather, but catches were unusually good in the south. Although the movement of commodities to provincial markets was maintained, Viet Cong taxes on vehicles traveling between Saigon and Dalat on Route 20 were extremely high. The road near the Lam Dong - Long Khanh boundary, which had been cut by the Viet Cong, received temporary repairs that were in turn washed out. This situation impeded bulk shipments of vegetables from Dalat and tea from Lam Dong to Saigon.

10. Although prices in III Corps were generally stable, Binh Duong and Bien Hoa provinces reported slowly rising prices. Some improvement was noted in transportation routes: security was improved on

Route 13 in Binh Long Province, bus travel from Phuoc Long Province to Saigon was open, and the flow of goods to and from Phuoc Tuy Province proceeded without much difficulty on Route 15. In Binh Tuy Province, however, commercial traffic was still restricted to the immediate vicinity of government-controlled areas. Phuoc Tuy Province reported both a good fish catch and vegetable crop, resulting in ample supplies of these commodities and lower prices.

11. The flooding of the Mekong was the most significant development in IV Corps. Heavy losses of rice and livestock were reported in the provinces of Chau Doc, Kien Phong, Kien Tuong and An Giang. Some districts of Phong Dinh Province also were severely affected. Secondary crops were damaged and large quantities of livestock had to be sold in order to avoid losses from the flood waters. It is estimated that 70 percent of the area under rice cultivation in Kien Phong Province was destroyed and about 95 percent of the secondary crops were lost. An Giang Province reported damage to 40 percent of its rice crop and 25 percent of its secondary crops. By 31 October, however, the water level in the Mekong delta had abated to normal seasonal levels.

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ANNEX

WEEKLY RETAIL PRICES IN SAIGON a/

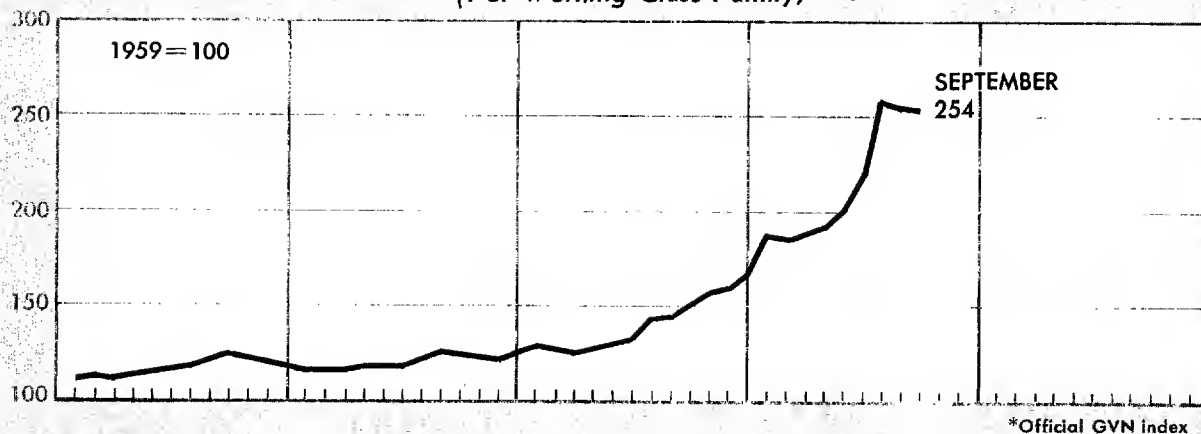
	3 Jan 1966	10 Oct 1966	17 Oct 1966	24 Oct 1966	31 Oct 1966
Index for All Items <u>b/</u>	<u>160</u>	<u>201</u>	<u>197</u>	<u>207</u>	<u>225</u>
Index for Food Items <u>b/</u>	<u>169</u>	<u>203</u>	<u>198</u>	<u>211</u> <u>c/</u>	<u>230</u> <u>c/</u>
Of which: (In piasters)					
Rice/Soc Nau (100 kg.)	800	1,450	1,450	1,500	1,550
Pork Bellies (1 kg.)	70	85	70	85	130
Fish/Ca Tre (1 kg.)	110	140	130	140	150
Nuoc Mam (jar)	50	85	85	85	85
Index for Non-Food Items <u>b/</u>	<u>124</u>	<u>194</u>	<u>193</u>	<u>196</u> <u>c/</u>	<u>203</u> <u>c/</u>
Of which: (In piasters)					
Charcoal (60 kg.)	440	600	610	630	650
Cigarettes (pack)	10	14	14	14	14
White Calico (meter)	27	31	32	33	37
Laundry Soap (1 kg.)	30	44	40	40	45

a/ Data are from USAID sources

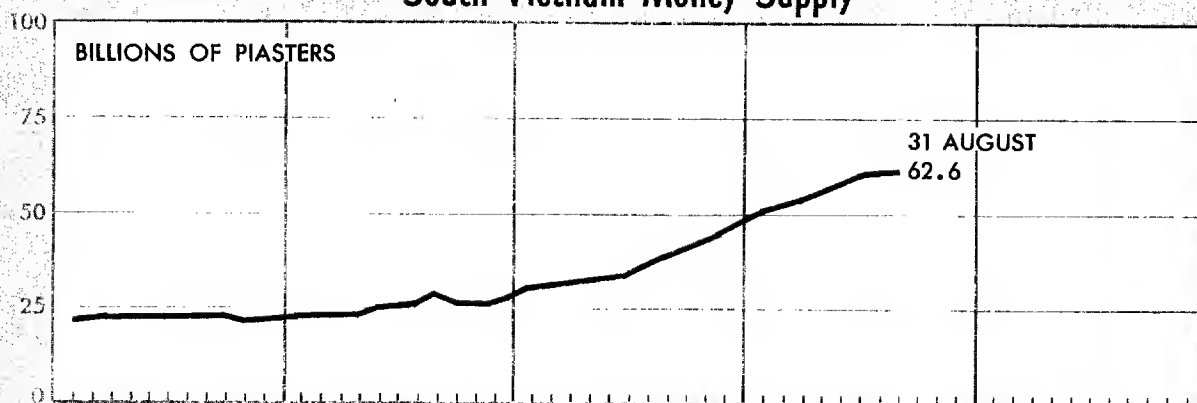
b/ For all indexes, 1 January 1965 = 100

c/ Preliminary

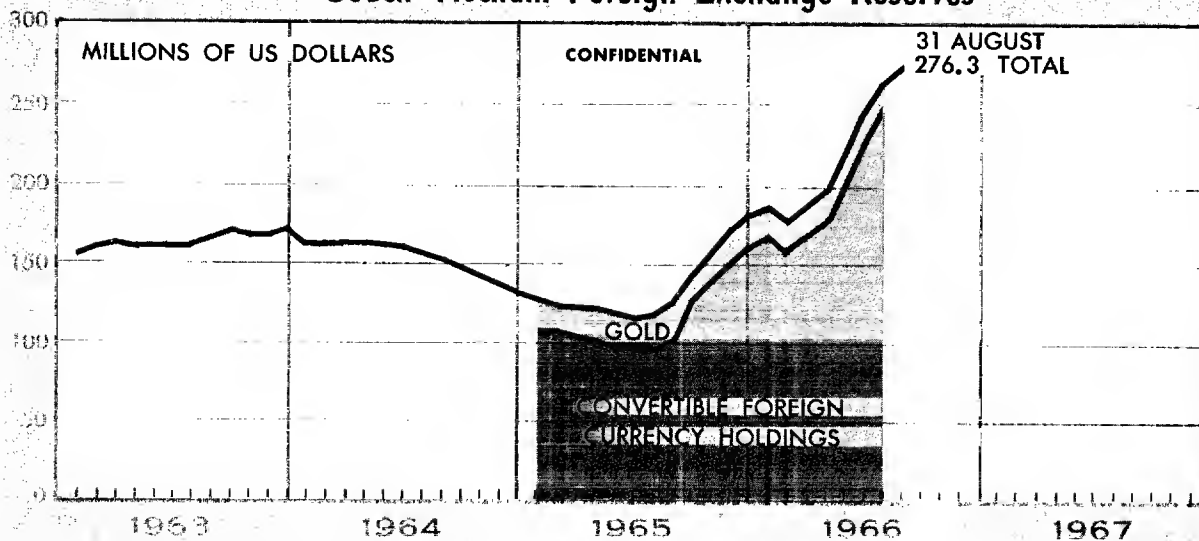
Saigon Cost of Living Index * (For Working Class Family)



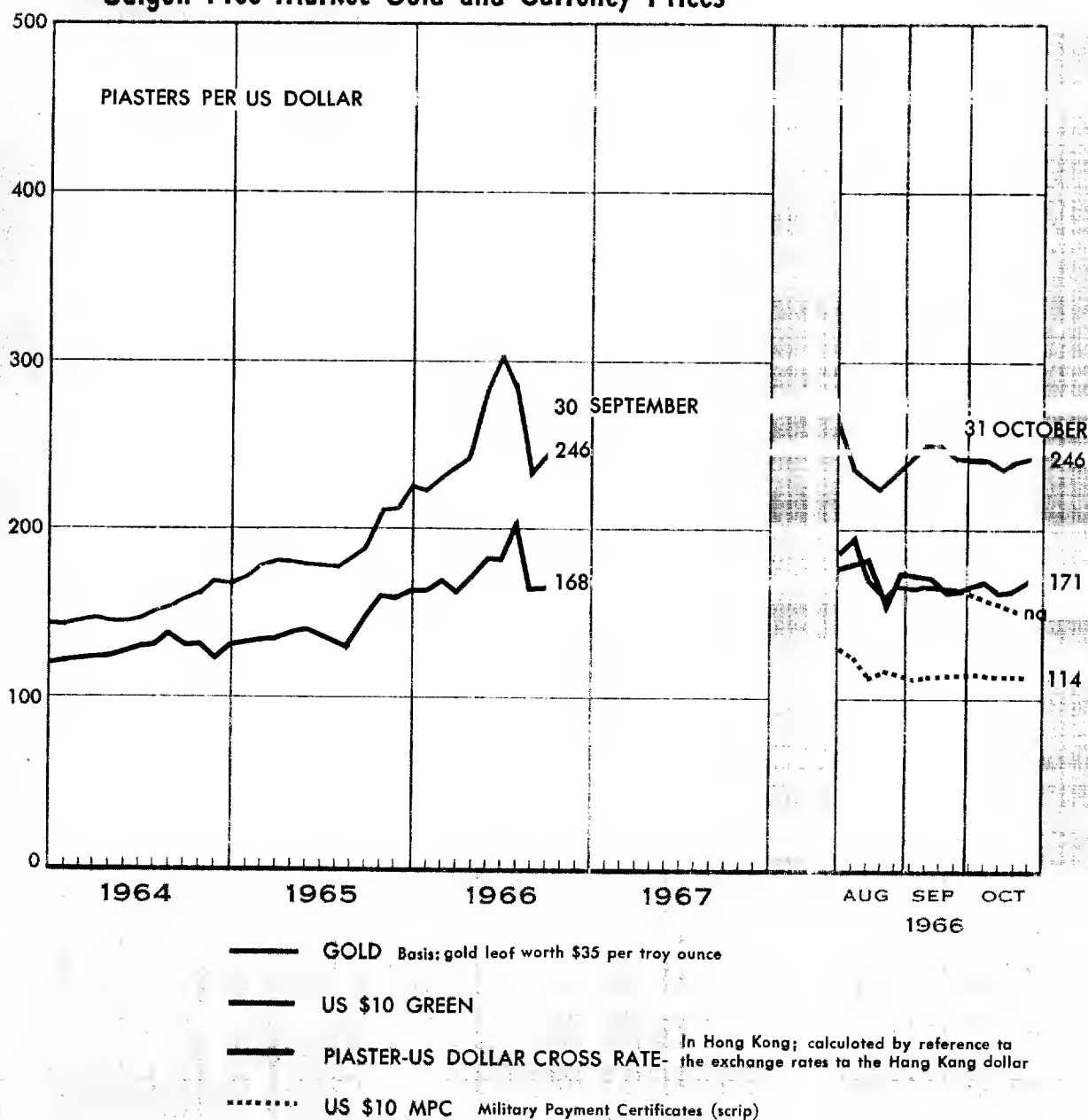
South Vietnam Money Supply



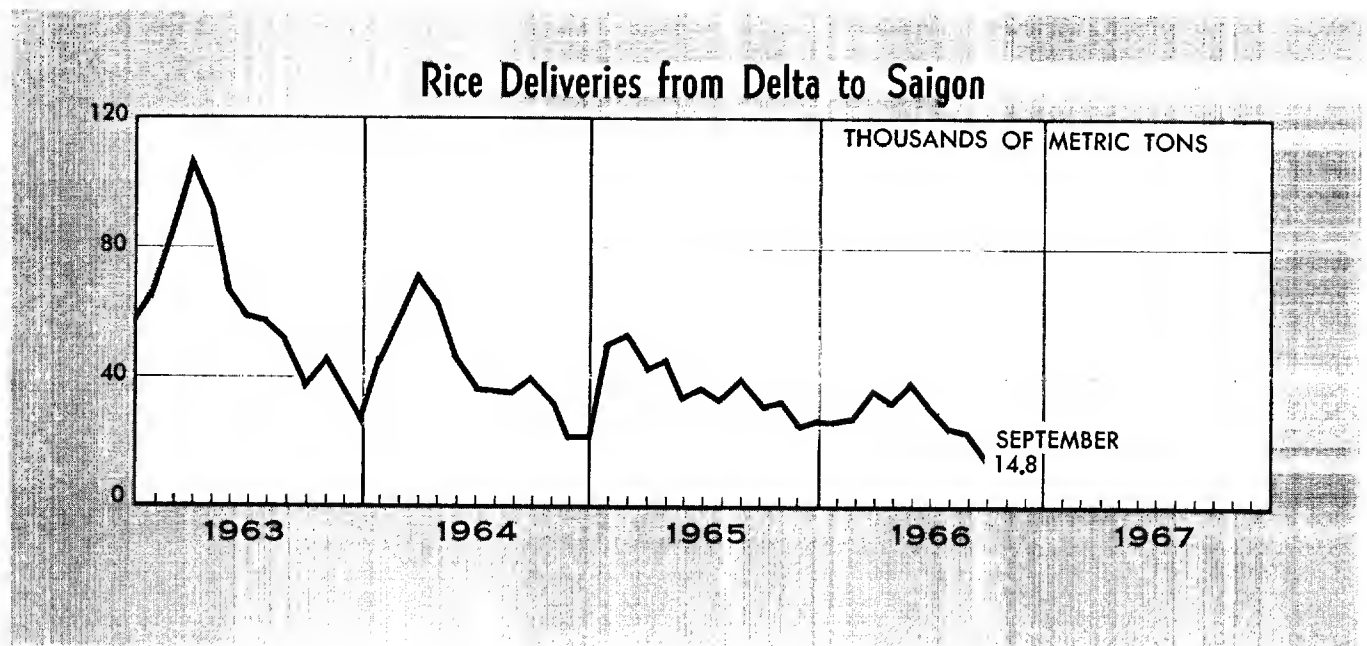
South Vietnam Foreign Exchange Reserves



Saigon Free Market Gold and Currency Prices



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